

McCain calls for summer holiday from gas tax

By Brian C. Mooney, The Boston Globe

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Senator John McCain laid out a broad economic plan yesterday calling for more than \$200 billion in new tax cuts for businesses and families, including a three-month "holiday" this summer from the 18.4-cent-per-gallon federal tax on gasoline.

"The effect will be an immediate economic stimulus - taking a few dollars off the price of a tank of gas every time a family, a farmer, or trucker stops to fill up," the presumptive Republican presidential nominee said of suspending the gas tax.

Gas prices hit another record high yesterday - a national average of \$3.39 a gallon for regular unleaded - and some analysts predict the price will reach \$3.50 or even \$4 this summer.

McCain's staff is drafting a bill to suspend the gasoline tax and the 24.4-cent tax on diesel fuel between Memorial Day and Labor Day. In Massachusetts, it would amount to a 6 percent discount at the pump with the current price at \$3.22 a gallon. The tax holiday would cost \$10 billion in lost revenue.

But the bill would probably be dead on arrival. Similar proposals in recent years have all failed in Congress, and the proposal was immediately greeted with skepticism by some tax analysts.

Leonard Burman, director of the Brookings-Urban Tax Policy Center, said it would have little effect and "as a matter of fiscal stimulus, it makes no sense at all. . . . In the campaign season, there is an irresistible pressure on candidates to promise giveaways."

Other analysts said that not all the savings would get to motorists because filling stations wouldn't lower prices completely, that the suspension would siphon badly needed revenue for repairing bridges and roads, and that it would hurt conservation efforts, even though McCain highlights his concern about global warming.

"It would be better to take that money and write a check to everybody," said Gerald Prante, senior economist at The Tax Foundation, a nonpartisan research organization. "Suspending the gas tax encourages more people to drive - something they're supposedly trying to make people not do."

It would also push the projected \$410 billion federal budget deficit this year past the record \$413 billion deficit of 2004. McCain policy adviser Douglas Holtz-Eakin, in a conference call yesterday with reporters, said any shortfalls created in the Federal Highway Trust Fund, which is supported by the fuel taxes, would be offset by general budget revenues. The trust fund, which pays for road and bridge construction and repairs all over the country, would lose about \$10 billion, turning a projected surplus this year into about a \$7 billion deficit.

In remarks timed to coincide with the deadline to file income tax returns, McCain also advocated an optional simplified tax code, spending cuts, and a freeze on nonmilitary spending. His tax cut proposals include reducing the corporate income tax rate from 35 percent to 25 percent; phasing out the Alternative Minimum Tax, which he said would save 25 million families an average of more than \$2,000 a year; doubling the tax exemption for dependent children from \$3,500 to

\$7,000; and allowing businesses to deduct the entire cost of new equipment and technology in the first year rather than depreciating it over time.

Holtz-Eakins said the cost of the tax cuts would be offset by spending reductions and economic growth; however, the liberal Center for American Progress Action Fund estimated they would cost the federal Treasury an additional \$75 billion per year above the McCain estimates and said the spending cut proposals were neither specific nor plausible.

McCain, who has pledged to balance the federal budget if elected, did not mention the budget deficit. But he did criticize fellow Republicans, as well as Democrats, for fiscal irresponsibility.

"In so many ways, we need to make a clean break from the worst excesses of both political parties," McCain said at Carnegie Mellon University in Pittsburgh. "Somewhere along the way, too many Republicans in Congress became indistinguishable from the big-spending Democrats they used to oppose."

McCain also poked Senators Hillary Clinton and Barack Obama, saying they will raise taxes and not just on the wealthy. "They're going to raise your taxes by thousands of dollars per year - and they have the audacity to hope you don't mind," McCain said, a play on the title of a book by Obama.

The Democrats, in turn, derided McCain's proposals as a rehash of President Bush's failed economic policies that favor the wealthy. "John McCain is offering an economic strategy today that Americans simply cannot afford: a George Bush-redux of corporate windfalls and tax cuts for the wealthy that will bankrupt our government and leave working families with the bill," Neera Tanden, Clinton policy director, said in a statement.

Both Clinton and Obama propose to end Bush's tax cuts for people making more than \$250,000 a year to help pay for expanded healthcare and other initiatives. McCain voted against the tax cuts twice, but now supports extending them, saying that to let them lapse would result in a tax increase.

"Somewhere along the way to the Republican nomination, I guess he figured that he had to stop speaking his mind and start toeing the line - because now he wants to make those tax cuts permanent," Obama told a labor group in Washington. ■

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